



CARSON

Charts of the Week

Carson Investment Research

October 5 – 9, 2026

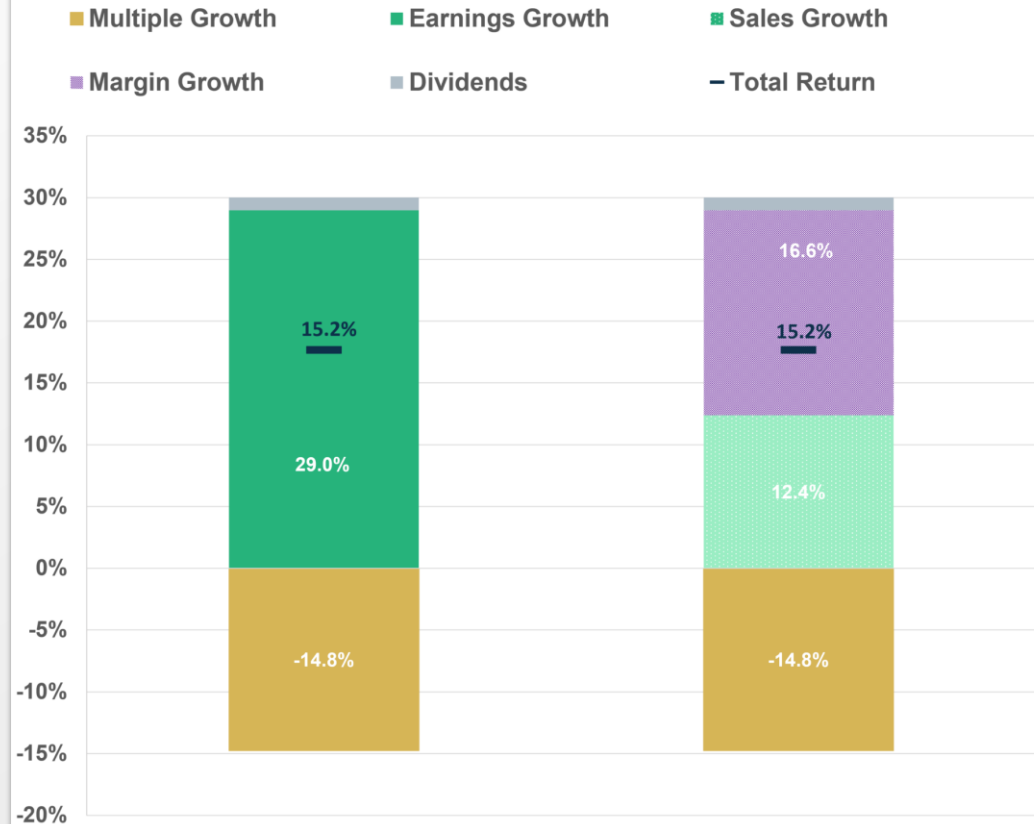
Chart of the Week

The Rally That Got Cheaper On the Way Up

- Rising earnings estimates added about 29 points this year, nearly double the S&P 500's 15.2% return. Falling valuations gave back about half.
- Margin expansion alone added 16.6 points, more than sales growth. That's pricing power, which helps profits but keeps inflation a bit more sticky.
- An earnings-driven rally is the healthier kind, but those estimates now have to show up with earnings season starting tomorrow.

Margin expansion and sales growth powering S&P 500 returns in 2026, more than offsetting multiple contraction

S&P 500 Total Return Drivers



Data source: Carson Investment Research, Factset 10/06/2026

Next 12-month data used for earnings, sales, margins and multiples.

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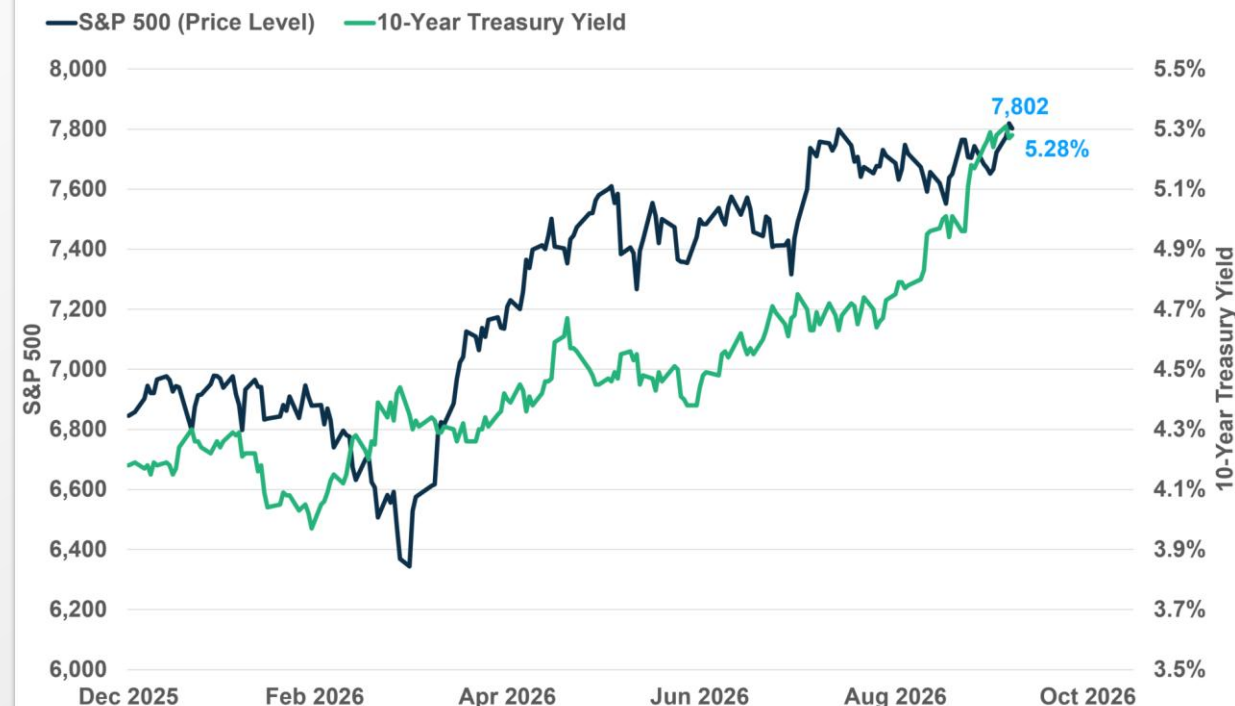
Macro

The Bond Market Is Taxing Stocks

- The 10-year is up more than a full point this year, yet stocks gained 14%. The damage showed up in valuations..
- AI investment barely notices borrowing costs, so rate hikes hit elsewhere first. Housing is feeling it, with mortgage rates at a three-year high.
- In 1999, the Fed hiked and the Nasdaq still rose 85% before tighter policy eventually caught up.

The S&P 500 Is Up 14% in 2026 Even as the 10-Year Treasury Yield Climbed to 5.28%

S&P 500 Index (Price Level) vs. 10-Year Treasury Yield, Daily, 12/31/2025 to 10/7/2026



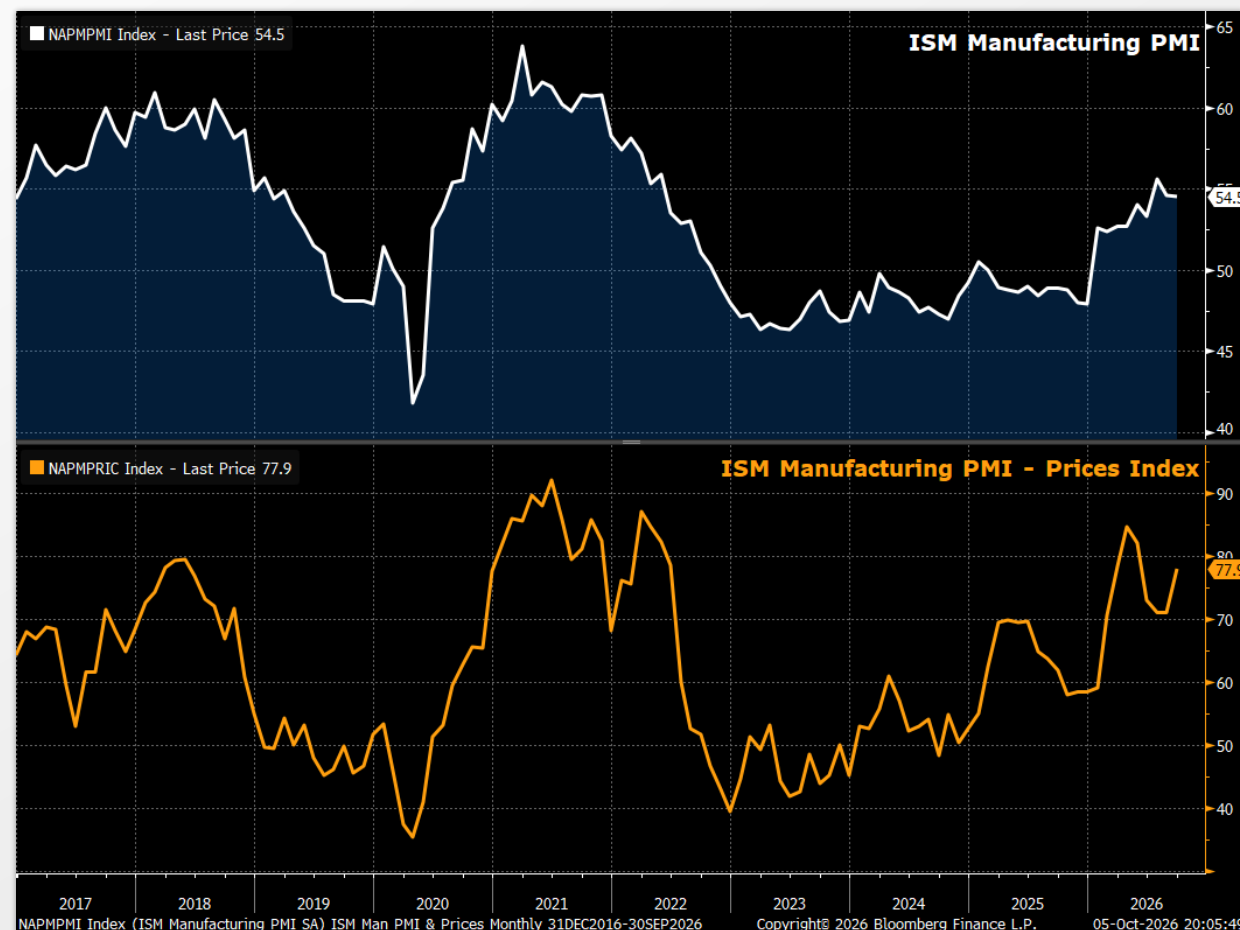
Source: Carson Investment Research, YCharts 10/8/26



Macro

Not One Commodity Got Cheaper in September

- Manufacturing went from contraction in December to nine straight months of growth, though slow supplier deliveries are flattering the headline a bit.
- Respondents reported 24 commodities rising in price and none falling. Aluminum has risen 34 months in a row.
- Shortages have spread from AI hardware into steel, copper and aluminum, as data centers compete for metals that tariffs already made pricier.



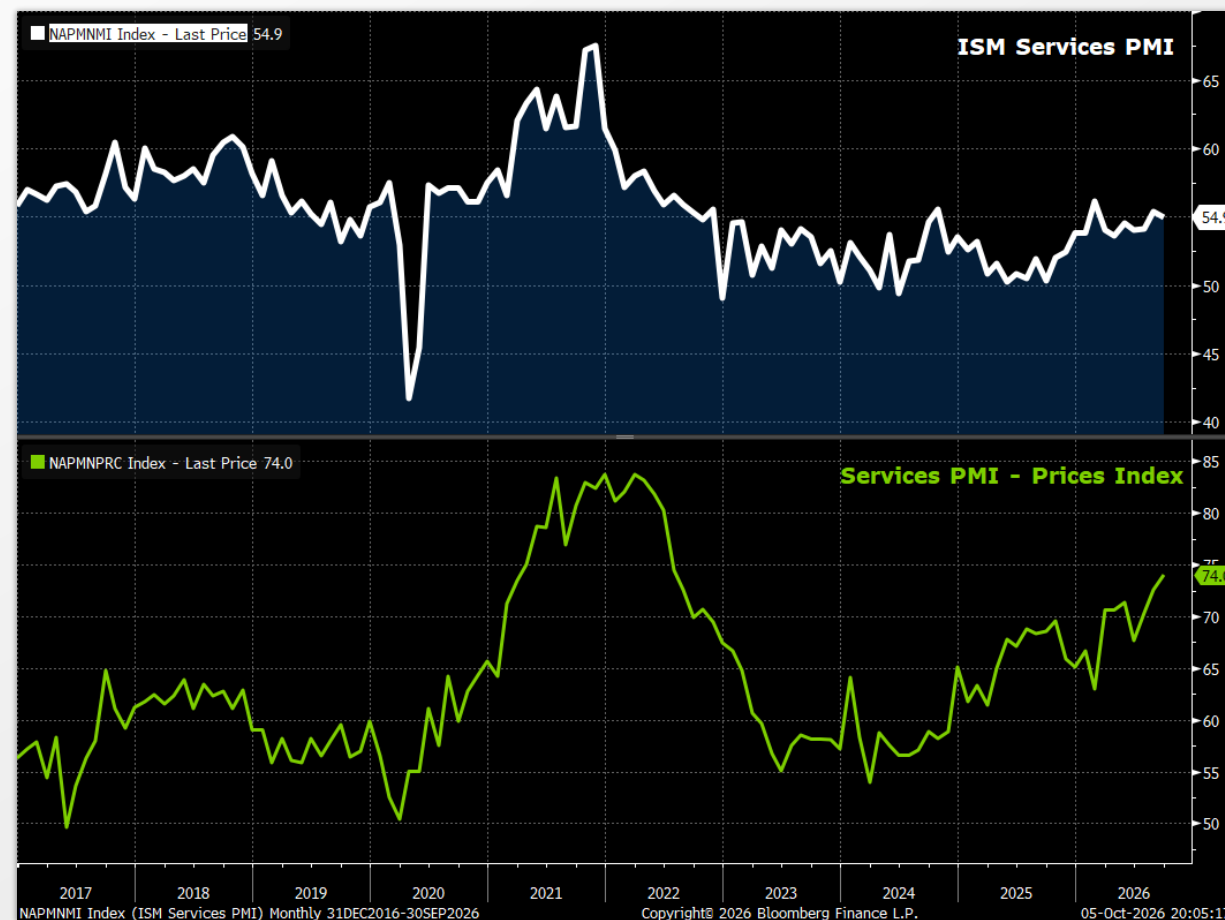
Source: Carson Investment Research, Bloomberg 10/05/26



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Inflation Is Spreading to the Stickier Side

- Services prices hit their highest level since July 2022 and have now risen for 112 straight months.
- Services inflation is stickier than goods inflation, so this matters more to the Fed than any commodity spike.
- Construction was the only industry with falling new orders, as high rates keep homebuyers away while data centers keep getting built.



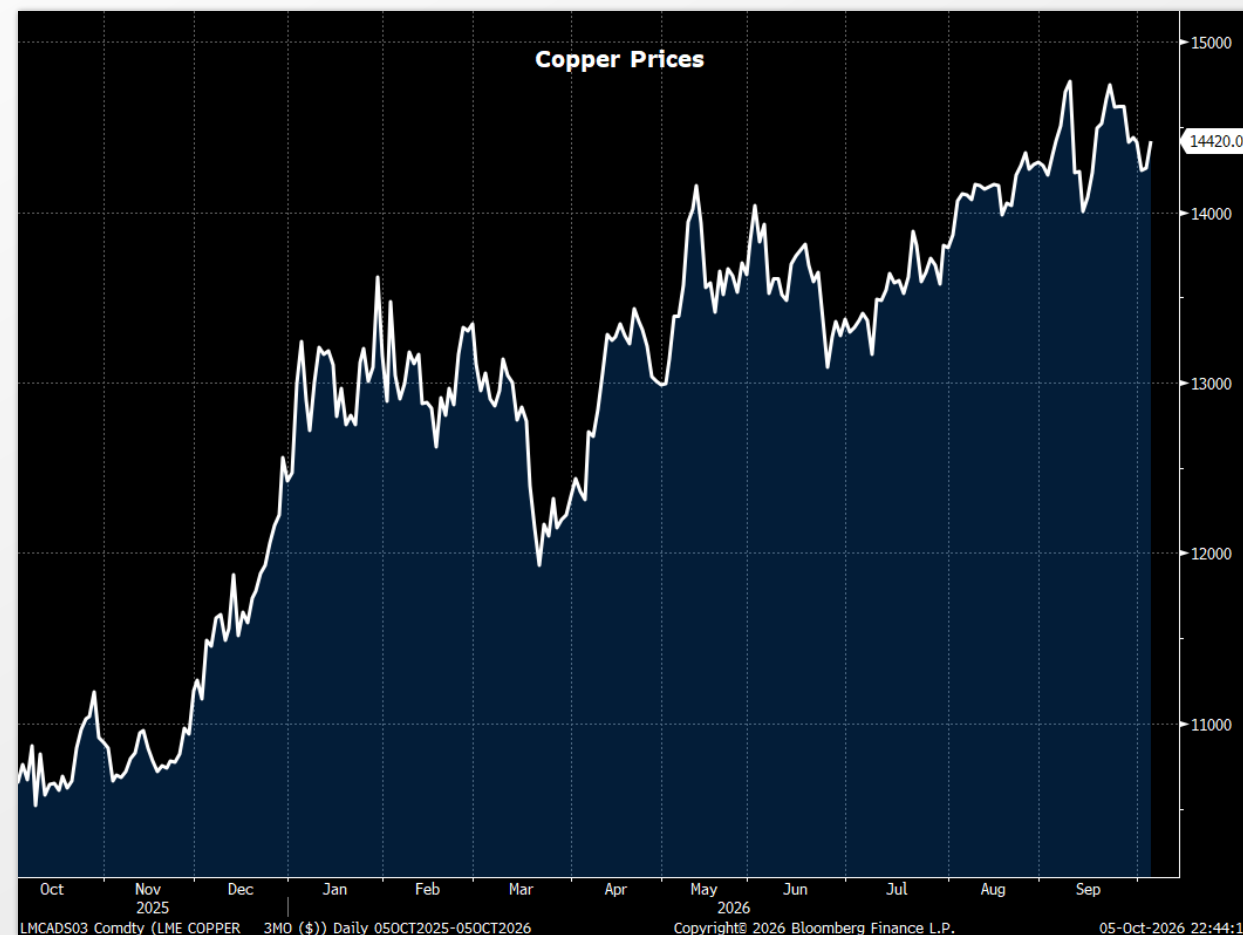
Source: Carson Investment Research, Bloomberg 10/05/26



Macro

The Data Center Boom, Priced in Copper

- Copper is up about 35% over the past year, driven by data centers and grid upgrades that need huge amounts of wire and cable.
- Wire, cable and switchgear are now on the ISM short-supply list, and respondents describe weekly copper price hikes as routine.
- This rally says more about AI capex and tariffs than about global growth.



Source: Carson Investment Research, Bloomberg 10/05/26



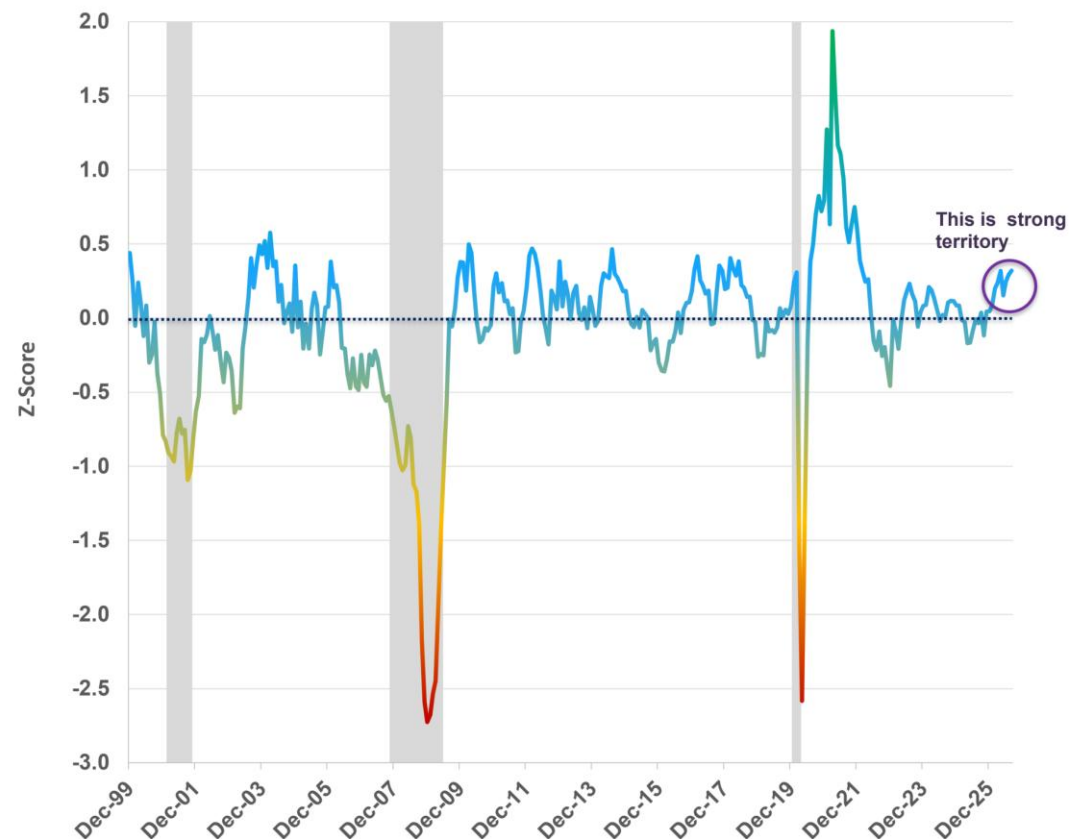
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Strong Growth, With an Inflation Assist

- The index tracks nominal activity on purpose, since profits are earned in nominal dollars. Higher prices are part of the strength.
- AI investment and rising deficits are more than offsetting a housing market stuck under high mortgage rates.
- Even at last year's tariff-driven low, the index stayed well above the levels seen heading into 2000 and 2007.

US economic activity running strong (in nominal terms), with no sign of any deterioration typical of recession

Carson Proprietary Leading Economic Index - USA



Data source: Carson Investment Research 09/30/2026

Shaded areas indicate U.S. recessions

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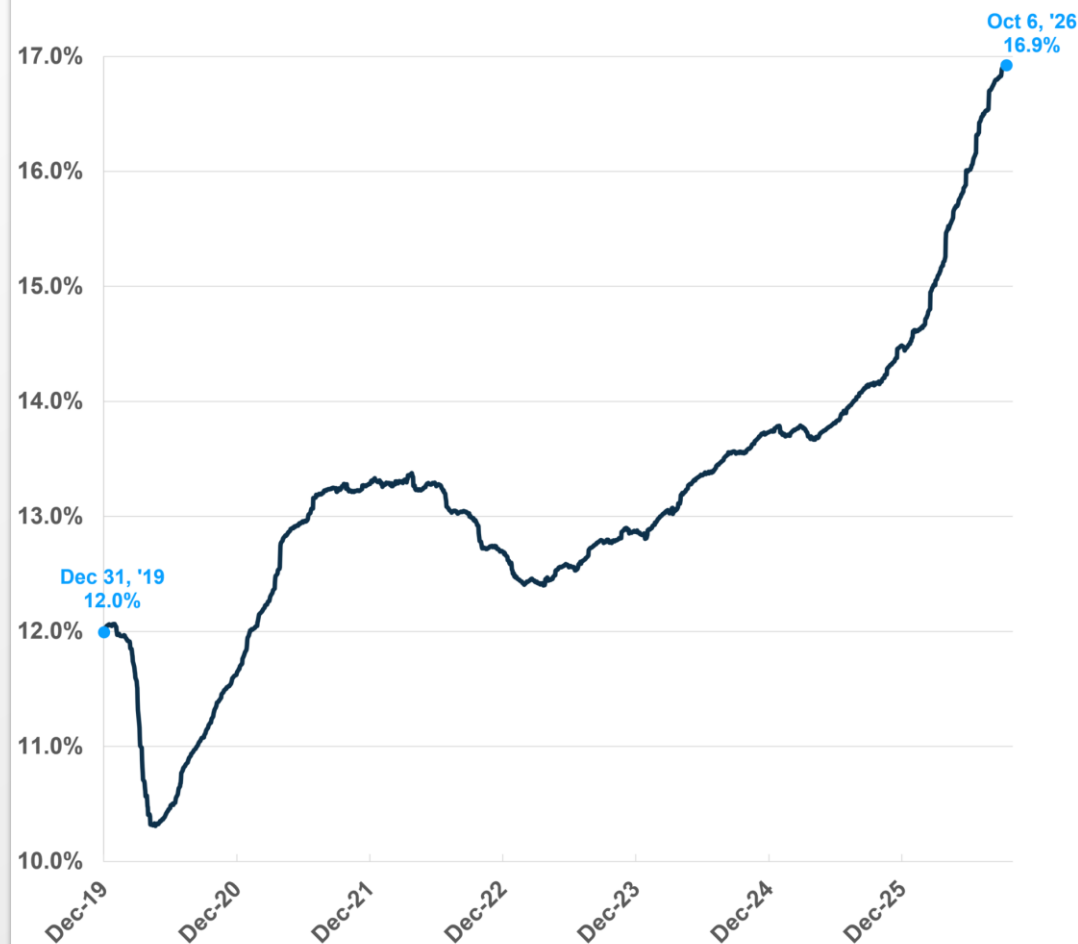
Margins Haven't Met the Depreciation Bill Yet

- Margins rose more in the first nine months of 2026 than in the prior three years combined, largely on pricing power.
- AI spending only hits earnings once data centers go live and start depreciating, and much of that capacity arrives in 2027–28.
- Higher margins mean more operating leverage, which works in reverse if sales slow.

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Margins going almost vertical

S&P 500 Index - Profit Margin (Forward 12-months)



Data source: Carson Investment Research, Factset 10/06/2026

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Profit margin estimated as next 12-month earnings divided by sales



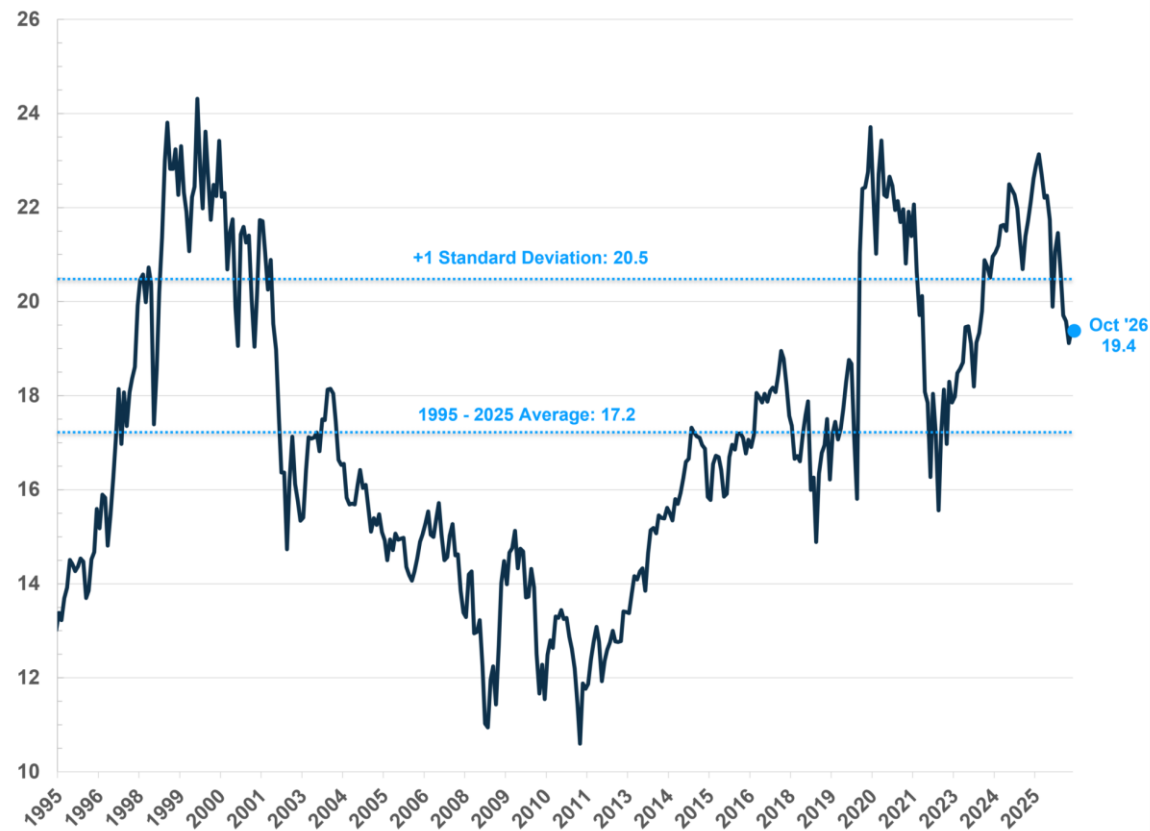
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Not Quite a Bubble, Not Quite a Bargain

- The forward P/E fell from 22.2x to 19.4x this year, even as the index hit new records.
- It was 18.7x at the end of 2019, so rising valuations explain only about 5 points of the 168% total return since then.
- At 19.4x, the earnings yield is about 5.2%, slightly below the 10-year, which leaves less cushion if yields keep rising.

Expensive? Not that much

S&P 500 Forward (Next 12-Month) P/E Ratio



Data source: Carson Investment Research, S&P 10/06/2026

Based on monthly data

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A Sideways Summer Resolved Higher

- The June high near 7,600 capped stocks all summer, then held as support in September.
- Stocks finished the historically weak third quarter up about 2%, and October 6 marked the 28th record close of the year.



Markets

Turning Four Isn't a Sell Signal

- Six of the seven prior bull markets that reached their fourth birthday gained in year five, averaging about 19%.
- Strong starts haven't meant early finishes. The two bulls that started faster, beginning in 1982 and 2009, added 36% and 21% in year five.

Year Five Of Bull Markets Tends To Be Strong

S&P 500 Yearly Performance During Bull Markets (1950 - Current)

Bull Markets		Return First Four Years Of	S&P 500 Returns				
Start Date	End Date	Bull Market	Year 1	Year 2	Year 3	Year 4	Year 5
6/13/1949	8/2/1956	78.5%	40.0%	14.5%	12.9%	-3.1%	21.0%
10/22/1957	12/12/1961	75.7%	31.5%	9.7%	-4.8%	27.5%	X
10/3/1974	11/28/1980	63.7%	34.6%	21.2%	-8.4%	6.2%	5.4%
8/12/1982	8/25/1987	131.2%	12.8%	15.2%	13.9%	27.8%	36.3%
12/4/1987	3/24/2000	67.9%	57.7%	2.0%	-8.0%	17.5%	13.4%
10/9/2002	10/9/2007	73.9%	21.4%	29.0%	5.4%	12.9%	16.0%
3/9/2009	2/19/2020	129.3%	28.8%	5.7%	3.5%	13.7%	21.0%
10/12/2022	10/6/2026*	118.6%	21.0%	34.7%	12.7%	19.3%	?
Average		92.4%	31.0%	16.5%	3.4%	15.2%	18.9%
Median		77.1%	30.2%	14.9%	4.4%	15.6%	18.5%
% Higher			100.0%	100.0%	62.5%	87.5%	100.0%

Source: Carson Investment Research, FactSet 10/06/2026

X means the bull peaked and a bear market started this year

* Current bull market is still active and not officially four years old yet

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